



News Release

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**TAX DAY REMINDER:
TREASURY & IRS CONTINUE CRACKDOWN ON ABUSIVE TAX SHELTERS**

WASHINGTON -- As part of a comprehensive strategy to ensure all taxpayers pay their fair share, the Treasury Department and the Internal Revenue Service are moving aggressively to combat abusive tax avoidance transactions.

"The IRS is building an enforcement web to catch and eliminate tax shelters. Taxpayers should come forward now, before they get tangled in the web. The IRS is collecting information about taxpayers and promoters who don't come forward so it can act on that information," stated Treasury Assistant Secretary for Tax Policy Pam Olson. "It's time to come in from the cold."

The number and complexity of questionable tax avoidance devices has expanded in recent years. To address them, the IRS is pursuing a multi-pronged approach on abusive transactions, led by the Large and Mid-Size Business Division (LMSB) and IRS Chief Counsel and supported by IRS Appeals, other Operating Divisions and Treasury. This level of coordination is vital to the effort's success.

"We are committed to using the tools at our disposal to identify questionable transactions early, analyze those transactions quickly and take appropriate action promptly to stop those transactions we determine to be abusive," said IRS Chief Counsel B. John Williams. "We will continue to pursue promoters and taxpayers to ensure they are complying with their legal obligations, and will take them to court if necessary."

"Our enforcement strategy to combat abusive transactions is working," said Larry Langdon, LMSB Commissioner. "Early disclosure is important, and our efforts to encourage promoters and investors to step forward on these abusive transactions have been extremely successful."

Among the key steps taken:

The IRS is actively pursuing promoters of abusive transactions. The IRS conducts promoter examinations in instances where a promoter has not complied with regulations requiring identification of potentially abusive tax avoidance transactions by registering such transactions, and maintaining or making investor lists available to the IRS upon request.

- LMSB currently has 78 promoters under investigation.
- 239 summonses have been issued to secure investor lists, of which 77 have been referred to the Justice Department for enforcement.
- IRS has obtained investor lists from 25 promoters covering multiple transactions.

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The IRS and Treasury Department are publishing legal guidance when a transaction is determined to be abusive. When a transaction is determined to be abusive, IRS and Treasury publish guidance as early as possible. This process is designed to deter subsequent promotion and investment in abusive transactions and to facilitate identification of investors and promoters. It also ensures consistent treatment of such transactions by IRS agents in the field.

- The IRS and Treasury have identified 25 abusive transactions through formal guidance.

The IRS Disclosure Initiative brought many taxpayers into compliance and providing leads on promoters and emerging abusive transactions.

- The disclosure initiative conducted from December 2001 to April 2002 resulted in 1,664 disclosures from 1,206 taxpayers.
- Taxpayers have disclosed transactions in which they claimed deductions or losses amounting to billions of dollars.
- The IRS is analyzing the new transactions to determine whether they are abusive and warrant published guidance or other administrative response.

The IRS is auditing taxpayers to determine whether they invested in abusive transactions, using information derived from promoter audits, the Disclosure Initiative, public information and other sources.

A special Settlement Initiative offered equitable alternatives to protracted enforcement and litigation.

- In October 2002, Treasury and IRS announced limited time resolution options for taxpayers engaged in the Contingent Liability, Basis Shifting and COLI tax shelters.
- The IRS is taking cases to court where it is necessary to enforce the law.

The IRS has placed a special emphasis on abusive shelters and transactions.

- The Office of Tax Shelter Analysis (OTSA) provides centralized data collection and analysis on all aspects of the tax shelter program, including information required to be disclosed by regulation, developed by field agents and obtained during the course of our disclosure and settlement initiatives.
- Internal Revenue Service officials announced Feb. 12 the creation of a new senior executive position within the Office of Chief Counsel to focus on potentially abusive tax avoidance transactions. Washington attorney Nicholas J. DeNovio was selected to fill this post.
- IRS teams are assembled to implement a comprehensive strategy to deal with questionable transactions. Teams are headed by an LMSB executive and include representatives from Chief Counsel, technical advisors and field specialists, including members of the Small Business/Self-Employed Division.

The President's budget proposes an additional \$100 million to support this effort to pursue high income individuals and businesses. This request is awaiting action by Congress.

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More information on IRS actions involving abusive shelters and transactions is available by visiting:

<http://www.irs.gov/businesses/corporations/article/0,,id=97384,00.html>

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